U.S. Army Materiel Command

FY04 Maintenance Production Review - AMCOM

11 February 2004

CCAD's Commitment

- ***Meet customer schedules***
- ***Total Production/Execution Revenue of $3B / 17.4M DLHs***
  - **$12.4M BES**
  - **$ 5.0M Reset + increase via**
  - **CCAD's**

Direct Labor Hours (in thousands)	
	TOTAL
Overtime	43
Second Shift	62
Contract Field Teams	5.0
Work Share Initiatives	0.0
Civilian employees	131
Process Improvements/ LEAN savings	0.0
Total	**241.0**

Direct Labor Hours (in thousands)	
	TOTAL
Overtime	930.3
Second Shift	534.7
Contract Field Teams	1,676.9
Work Share Initiatives	337.0
Civilian employees	1084.9
Process Improvements/ LEAN savings	479.0
Total	**5,042.8**

CCAD's FY04 Plans and Execution

($ in Millions)

	Original Reset Budget Plan (OCT 03)	FY04 Reassessment	31 Dec Actuals
Revenue	$901.4	$837.8	$157.7
New Orders	$723.0	$815.3	$585.0
Reset	$62.6	$23.1	$0.0
SMA	$349.0	$476.0	$487.8
All Other	$311.4	$316.2	$97.2
DLHs (M)	3.7	3.8	0.8
Civilian	3.5	3.7	0.8
Other	0.2	0.1	-
CarryOut	$219.7	$300.9	
CarryOut Ceiling	-$0.2	$31.8	

Now 32M Over Ceiling

Immediate Concerns

- ***New Orders up . . .***
- ***Revenue decreasing but…***
- ***DLHs increasing***
- ***Production carry out exceeds commitment and ceiling***
- ***Idle funds obligated with no production payback***

Looking Further at CCAD

Production

	Sept FY03	Average Oct-Dec FY04	Difference
Total revenue generated	$88.1	$52.6	-$35.5
Total DLHs generated (incl. CFTs)	308	272.9	-94.8

Lost production momentum we were going to build upon

Personnel (AMC TOTAL)

	BES + Reset Plan	ACTUAL
End Strengths (incl. term/temps)	12,160.0	11,704.0
CFTs (DLHs in K)	2,118.9	281.6
Overtime target (DLHs)	2,048.5	468.3
Process improvements/ LEAN savings DLHs*	479.0	??
DLHs	17,400.0	2,984.0

*BES did not have DLHs only $s

Not on track to meet production goals

Revenue

Cumulative revenue through Dec 03	$157.7
Average monthly revenue through Dec 03	$52.6
Target (base program w/ Reset & GWOT)	$901.4
Revenue needed for remainder of FY04	$743.6
Required average monthly revenue to meet target	$82.6
Percent production increase needed	**57.1%**

Without right sized workforce cannot earn required revenue

New Orders

	Revised
Revised New Orders	$815.3
Percent allowed carryover	33%
Amount allowed carryover	$269.1
Amount planned carryover	$300.9
Amount over ceiling	**$31.8**

Instead of -.2M
New plan +31.8M
or **$32M** change from commitment

LEAD's Commitment

- ***Meet customer schedules***
- ***Production/Execution Revenue of $3B / 17.4M DLHs***
  - **$12.4M BES**
  - **$ 5.0M Reset + increase via**
  - **LEAD's**

Direct Labor Hours (in thousands)	
	TOTAL
Overtime	13.3
Second Shift	0
Contract Field Teams	173.9
Work Share Initiatives	0.0
Civilian employees	129.9
Process Improvements/ LEAN savings	0.0
Total	**317.1**

Direct Labor Hours (in thousands)	
	TOTAL
Overtime	930.3
Second Shift	534.7
Contract Field Teams	1,676.9
Work Share Initiatives	337.0
Civilian employees	1084.9
Process Improvements/ LEAN savings	479.0
Total	**5,042.8**

LEAD's FY04 Plans and Execution

($ in Millions)

	Original Reset Budget Plan (OCT 03)	FY04 Reassessment	31 Dec Actuals	
Revenue	$288.3	$284.2	$60.1	
New Orders	$238.2	$227.8	$99.6	
Reset	$10.8	$16.8	$5.9	
SMA	$53.4	$58.6	$51.0	
All Other	$174.0	$152.4	$42.7	
DLHs (M)	1.5	1.5	0.3	
Civilian	1.1	1.2	0.3	
Other	0.3	0.3	0.1	
CarryOut	$61.2	$65.1		
CarryOut Ceiling	-$8.4	($10.1)		

Still Under Ceiling

Immediate Concerns

- ***New Orders down***
- ***Revenue decreasing***
- ***Idle funds obligated with no production payback***

Looking Further at LEAD

Production

	Sept FY03	Average Oct-Dec FY04	Difference
Total revenue generated	$20.8	$20.0	-$0.7
Total DLHs generated (incl. CFTs)	104.9	111.6	6.7

Lost production momentum we were going to build upon

Personnel (AMC TOTAL)

	BES + Reset Plan	ACTUAL
End Strengths (incl. term/temps)	12,160.0	11,704.0
CFTs (DLHs in K)	2,118.9	281.6
Overtime target (DLHs)	2,048.5	468.3
Process improvements/ LEAN savings DLHs*	479.0	??
DLHs	17,400.0	2,984.0

*BES did not have DLHs only $s

Not on track to meet production goals

Revenue

Cumulative revenue through Dec 03	$60.1
Average monthly revenue through Dec 03	$20.0
Target (base program w/ Reset & GWOT)	$288.3
Revenue needed for remainder of FY04	$228.2
Required average monthly revenue to meet target	$25.4
Percent production increase needed	**26.6%**

Without right sized workforce cannot earn required revenue

New Orders

	Revised
Revised New Orders	$227.9
Percent allowed carryover	33%
Amount allowed carryover	$75.2
Amount planned carryover	$65.1
Amount over ceiling	**$64.1**

Instead of -8.4M
New plan -10.1M
or -**$1.7M** change from commitment

Lack of Production in Depot Contributes to Parts Shortages

DM . . . (How One Business Affects Another)

SMA FY03 Carryover:	*$ 187.1M*
SMA FY04 New Orders:	*$ 1153.1M*
FY04 DM Production thru Jan 04	*$ 300.7M*
SMA Current Unfilled	*$1039.5M*

Why?
- Insufficient Personnel?
- Lack of Carcasses?
- Lack of Piece Parts?
- End-Item work took priority?

SMA...

- *Insufficient assets to meet warfighter requirements*
- *Without assets can't generate Sales*
- *Without sales can't earn OA*
- *Without OA – No Parts*
- *Degrades readiness*

AMCOM Back Orders

FY02	$ .792B
FY03	$ 1.417B

AMCOM Unserviceables

	IND	Not IND
FY02	$ 0.046B	$1.055B
FY03	$ 0.090B	$1.227B

Consider . . .

- **How are deliveries monitored?**
- **Is priority placed on backorders that will generate immediate SMA sales?**

Data as of Jan 04

Follow-On Reviews

- ***11 Feb – AMCOM***

- ***TBD Mar – AMCOM (at TBD)***

- ***5-6 Apr – Program Review (at Richmond)***